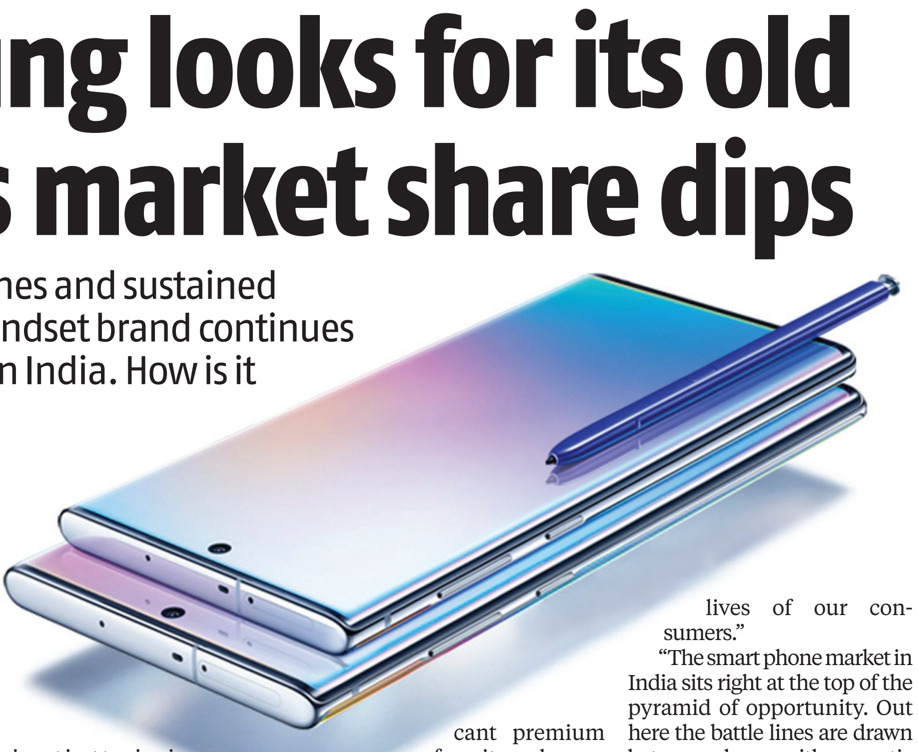
Samsung looks for its old grip as market share dips

Despite new launches and sustained advertising, the handset brand continues to lag rival Xiaomi in India. How is it fighting back?



T E NARASIMHAN
Chennai, 30 January

How does a brand that once rode the highs, in one of the fastest growing smartphone markets in the world, navigate the troughs? Ask Samsung. The Korean mobile handset brand has been steadily losing market share in India, with its gap with market leader Xiaomi widening through 2019.

It has 18.9 per cent share of the market (Q3 2019, IDC), down from 22.6 per cent for the third quarter of 2018. Xiaomi has 27.1 per cent share (Q3 2019), marginally lower than the 27.3 per cent in Q3 2018. The IDC report added, "Samsung was the only vendor amongst the top five to fall (in terms of shipments), dropping 8.5 per cent YoY in Q3 2019. The lag between older Galaxy A series (Galaxy A10, 50, etc.) and the refreshed Galaxy As (Galaxy A10s, A50s etc.) series just before the Diwali quarter led to this sharp decline. However, newly launched Galaxy M30s registered strong shipments in its opening quarter."

For a brand that has been on the list of top 5 smartphone brands in the country for years and was once pitched as a rival to the iconic Apple brand in India, the numbers paint a sorry picture. How is the company retooling the brand to reconnect with its consumers?

The big lesson from the crisis is that a 'one size fits all' approach does not work. Consumers today seek unique propositions and the company is not just tuning in more closely to what they want, but the company said it is also crafting a more localised communication strategy.

"At Samsung, we spend a lot of time understanding our consumers. We know that our consumers are spending a lot of time binge watching, clicking pictures and playing games. Consumer behaviour has inspired some of our most important innovations," said Aditya Babbar, director, Mobile Business, Samsung India. He points to (handsets in the ₹15,000 and above range) new screens, batteries and premium camera features that are delivering an experience closer to what users want, than ever before. "The core smartphone experience has been better than ever in 2019," he added.

> **"The core smartphone experience (for Samsung mobile phone users) has been better than ever in 2019"**
>
> ADITYA BABBAR
> Director, Mobile Business, Samsung India

Babbar highlights the innovations introduced during 2019, especially the Galaxy Fold that costs over a lakh in the Indian market. Increasingly the brand is using tech-driven innovations to create an experience that helps command a significant premium for its phones, thereby moving away from the discounting game that is the forte of its Chinese rivals.

According to a report by Kantar, a research, data and insight company, brands are driving 'premium-ness' by embedding what it calls purposeful innovation. The exercise has been on globally for several years now, with brands managing to more than double their brand values and between 2014 and 2018 (the latest numbers tracked by the agency) brands that were able to innovate and convey purpose effectively were able to climb up the premium index and increase their average brand value by 106 per cent.

Samsung wants to demonstrate its tech credentials to a generation that puts a huge premium on such features and is hoping to thereby, drive up the value of the brand. Babbar said, "Our aim is to enable the 'Galaxy Lifestyle' in which technology is seamlessly integrated to enhance every aspect of the lives of our consumers."

"The smart phone market in India sits right at the top of the pyramid of opportunity. Out here the battle lines are drawn between players with cosmetic brand appeal, versus players with functional superior appeal. While Apple sits at the top, players like One Plus, Vivo and Oppo sit at the bottom. Samsung enjoys the unique position of being in between," said Harish Bijoor, founder Bijoor Consults.

Customer research by Samsung shows that Indian phone users are upgrading faster than they used to. Indian consumers have evolved faster than their global counterparts and have become increasingly demanding. The average upgrade cycle for Indian consumers are coming down because consumers are no longer driven just by necessity, but by the desire for newer innovations and better technology, according to Babbar.

The company is also focusing on digital as a channel for communication, sales and delivery, but also to understand and reach out to customers who spend a long time researching their brands online. "We have also shifted focus with digital now being one of the most salient channels for us. A significant portion of our ATL spends are parked for digital," said Babbar.

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Tax estimate...

So far as GST collection is concerned, the government had re-set the target to ₹1.10 trillion in each of the last four months of the current financial year with one of them yielding ₹1.25 trillion. However, after the target was set, GST collection for December came in at ₹1.03 trillion. After that, the revenue department again revised the target at ₹1.15 trillion for January and February each and ₹1.25 trillion for March.

The indirect tax amnesty scheme, Sabka Vishwas (Legacy Dispute Resolution Scheme), has, meanwhile, come to the rescue of the government with an additional ₹38,000 crore to be added to the exchequer.

Initial expectations of the government were that the exchequer would be hit by ₹1.45 trillion due to corporation tax rate cuts. But Revenue Secretary A B Pandey had kept the direct tax collection target intact at ₹13.35 trillion for FY20 at his meeting with senior tax officers in December.

Experts, however, said the tax target, including that of direct taxes, would be missed. Officials too admitted it. "Ideally, the tax target for the fiscal year should be cut by ₹1-1.5 trillion in the Budget," said Madan Sabnavis, chief economist, CARE Ratings.

Rakesh Nangia, chairman of Nangia Andersen Consulting, said the Centre was looking at a shortfall in its tax collection target. "This surely leaves less room for the government to grant further tax cuts."

The forecasting exercise for revenue targets by the government has come under the scanner of even the International Monetary Fund, which questioned the basis of the high growth projected this fiscal year despite economic slowdown.

The target for the fiscal year was revised lower by ₹90,000 crore in the Budget presented in July 2019 compared to the one given in the Interim Budget presented in February of that year but it still required a growth rate of 18.26 per cent, far higher than the 8.3 per cent growth achieved in 2018-19. The FY19 saw a big shortfall of ₹1.67 trillion compared to the revised estimates, the highest in several years. It was the only year since at least FY15 that the revenue projections were cut in the revised estimates, and yet the target was not met.

The demonetisation year, 2016-17, was the only year when the collection, at ₹17.1 trillion, exceeded the Budget estimate of ₹16.3 trillion and even the revised estimate of ₹17 trillion. However, experts say the demonetisation year of 2016-17 and its following year 2017-18 should have been treated as outlier years to set targets for normal years like 2018-19 and 2019-20.

"One cannot expect the collection trend seen in the demonetisation year to continue, hence it should be taken as an outlier while doing growth projections. There were new taxpayers and people revised returns, which eventually had to fizzle out," said a government official.

In FY19, the tax department had internally pitched for a reduction in the collection target to ₹11.3 trillion from ₹11.5 trillion in the Budget estimates but was instead entrusted with the task of collecting an additional sum of ₹50,000 crore to spend on farmer-related welfare schemes.

RBI allows...

In August 2018, the lender had issued perpetual non-convertible preference shares, which it said would trim promoter shareholding from 30.3 per cent to 19.7 per cent, but the regulator did not agree with this method. The bank had sought interim protection from the RBI directive and proposed capping of voting rights of the promoters. The private lender was ready to issue an undertaking to limit its promoter voting rights to 20 per cent until May 2020 as concentration of power by the promoter was the main issue for the banking regulator. According to RBI norms, a bank needs to bring down its promoter shareholding to 40 per cent in the first three years after starting operations. Thereafter, the bank needs to bring down its promoter shareholding to 20 per cent in 10 years and 15 per cent in 15 years.

Rahul Bajaj...

The company will seek shareholders' approval through a special resolution, it said. On Wednesday, Bajaj Finserv, the group's financial services business, also notified Bajaj's resignation as chairman, including from subsidiaries Bajaj Finance and Bajaj Allianz General Insurance.

Popular for his plain speak and harsh critique of the government's policies since the pre-liberalisation era, the Padma Bhushan awardee is a Harvard Business School alumnus. He is known in corporate circles as the man who does not mince words when it comes to any matter of national interest, or echoing corporate India's woes. On November 30, 2019, at an awards event organised by the Economic Times in Mumbai, Rahul Bajaj said he was "born anti-establishment".

In the 1970s, when Italy's Piaggio didn't renew Bajaj's licence, he began manufacturing his own brand of scooters with names like Chetak and Super.

India Inc...

While Infosys draws around 25 per cent of its total revenues from European continent including the UK, TCS has a 30 per cent contribution from this geography. UK itself constitutes 16 per cent of TCS' top line. Similarly, Wipro has a revenue share of 24 per cent from Europe.

However, uncertainties related to Brexit have slowed the pace of revenue growth for most of these firms. For instance, TCS revenues from the UK grew at 7.5 per cent in Q3 of FY20, down from 14 per cent in the previous quarter. With Britain formally exiting EU, company executives expect better days ahead. In preparation for Brexit, TCS would relocate 1,200 workers from the UK, the company said.

Infosys officials had indicated last May that Brexit was turning out to be worse than the Y2K fear due to uncertainties surrounding the actual exit. "It is something which is a huge concern to all our clients.

Brexit, however, can be a blessing in disguise for the IT sector as more digital solutions will be needed for a new set of customs and border control between the UK and the EU. As most companies try to minimise supply chain disruptions, Indian firms can offer software solutions to manufacturing companies. "The only thing that has been confirmed is that Brexit is happening. However, the real challenge is yet to come. Brexit's biggest impact will be on the UK's ability to trade freely with the rest of the world until it has negotiated separate trade agreements, which were formerly covered by the EU," said Hansa Iyengar, senior analyst at Ovum Research. "We expect some uptick in UK revenues (of Indian IT firms) from calendar Q2 (April-June) and beyond."

The adjustments that IT firms are required to make for Brexit are modest, according to Peter Bendor-Samuel, founder and CEO of outsourcing advisory firm Everest Group. "They have repositioned some of their talent out of the UK into the EU. Also, most firms have already been present in the EU countries with strong sales and delivery capabilities," he said.

Beyond IT, Tata Steel has significant presence in the UK. A source in the know ruled out any Brexit impact on Tata Steel customers or supply chain as status quo would continue till December. Among others, Essar Oil UK Ltd, which operates a 10 million tonne per annum oil refinery in Stanlow, is unlikely to see any disruption in business due to Brexit, an official said.

(With inputs from Shally Seth Mohile in Mumbai & Ishita Ayan Dutt in Kolkata)

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